

3 March 2021

International Accounting Standards Board  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Board Members,

**RESPONSE TO EXPOSURE DRAFT – COVID-19 RELATED RENT CONCESSIONS BEYOND  
30 JUNE 2021 (“ED”)**

ISCA sought views from its members on the above ED through a one-week public consultation and from the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms, preparers and other stakeholders.

We agree with the Board’s proposal to extend the availability of the practical expedient by one year (i.e. from 30 June 2021 to 30 June 2022).

As the covid-19 pandemic is still at its height, the extension of availability of the practical expedient would give lessees much needed practical relief and allow them to account for their covid-19 related rent concessions as if they were not lease modifications.

We also agree with the Board’s view that the proposed extension would enable lessees to account for similar covid-19 related rent concessions consistently during the height of the pandemic.

Notwithstanding the above, we would like to share the following concern regarding the proposed amendments:

Significant costs and effort may need to be incurred to undo the lease modification accounting applied for rent concessions which were not eligible for the original practical expedient

Paragraph BC10 of the ED highlights that the proposed transition approach would require a lessee to undo lease modification accounting that was applied for a rent concession that was ineligible for the original practical expedient. The same paragraph also shared the Board’s view that it expects such a scenario to be rare.

We are concerned that lessees may need to incur significant costs and effort to undo the lease modification accounting for such rent concessions especially if it involves changes to systems and where the entity has many leases with such rent concessions. These costs could potentially outweigh the benefit to users of financial statements.

From paragraph BC11 of the ED, we note the Board's rationale that the requirement to apply the proposed amendments retrospectively is to ensure consistency in the application of the practical expedient to account for similar rent concessions during the height of the covid-19 pandemic to provide useful information to users of financial statements. However, we have observed lessors granting numerous variations of rent concessions to lessees and the rent concessions may range from no concessions at all to substantial concessions for certain industries or areas that are most impacted by the covid-19 pandemic. As there is no 'consistency' in the rent concessions being granted, users of financial statements would need to understand the detailed facts and circumstances of each entity to be able to compare the financial statements across different entities. In our view, this would negate the benefit of requiring retrospective application of the proposed amendments.

Hence, we would like to urge the Board to re-evaluate the cost-benefit analysis of requiring retrospective application of the proposed amendments.

Should you require any further clarification, please feel free to contact myself, Mr Marcus Chan, Assistant Manager, TECHNICAL: Financial Reporting, from ISCA via email at [jumay.lim@isca.org.sg](mailto:jumay.lim@isca.org.sg) or [marcus.chan@isca.org.sg](mailto:marcus.chan@isca.org.sg).

Yours faithfully,



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Deputy Director  
TECHNICAL: Financial & Corporate Reporting;  
Ethics & Specialised Industries;  
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